

## **The Association of Corporate Governance with Employees' Organizational Silence** (A case of University of Gondar)

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### **Abstract**

The purpose of this study was to assess employees' perception of *corporate governance* and their employees' *organizational silence* and the association between the two variables. The data collected from a sample of 227 academics and administrative staffs. Two research instruments adapted from standard instruments. The main findings of the study show that according to the perception of employees exercising of good corporate governance is minimal. Organizational silence is prevails the university. Most of the employees preferred to be silent to protect themselves. Relatively academic staffs tried to voice their concern than the administrative staff. A significant amount of respondents were indifferent. Corporate governance and employees' organizational silence have a negative relationship, but a significant influence was not found.

**Key words:** Corporate, Governance, Silent, Organizational Silence

### **1. Introduction**

Universities are not-for-profit mainly public organizations created with the mission of providing quality education, conducting problem solving researches and serving the community. The fulfillment of mission, vision, and goals of universities requires a full participation and collaboration of its academic and administrative staffs. However, the actual situation observed in universities working environment many employees are silent. They did not speak up their concerns in the organization. Many previous researchers such as Pinder and Harlos, (2001) identified the three main causes of employees' silence and antecedents and consequences of employees' silence. As corporate governance is concerned with the processes, policies, procedures, systems, practices and the manner in the relationships that these processes create (CAFS, 2001). Therefore, this study tried to assess the relationship between *employees' silence* and *corporate governance*.

### **2. Research Methods**

For this study a total of 350 samples selected and questionnaires distributed. Only 227 workable questionnaires returned. This analysis is done based on this sample size.

To measure ***corporate governance***, a research instrument was adapted from the instrument used and developed by Carver & Carver, (2001). This instrument has 26 questions. To check the reliability of the instrument, Cronbach's Alpha (**.943**) is used. The validity of the instrument is checked by Factor analysis, result is 69.6% for five components.

To measure employees' silences the instrument Organizational Silence (OS) Scale: adapted from Van Dyne, Ang and Botero's (2003) article. The instrument is composed of **14** questions and three dimensions: acquiescent silence, defensive silence and pro-social silence. The reliability of the instrument, Cronbach's Alpha (**.756**) is used. The validity of the instrument is checked by Factor analysis, result is found to be 91.9% for four components.

For both instruments, the participants were asked to express their perception of the practices of wasteful managerial activities and their personal silence behaviors, to express their agreements /disagreements, along a five-point Likert response scale, (1 = *strongly agree*, 2= *Disagree*, 3=*Neutral*,

4=Agree and 5 = strongly disagree).To simplify the result of the study, the response scales *strongly disagree and disagree*, as well as, *strongly agree and agree* are combined in the data analysis work.

### 3. Literature Review

#### 3.1 Corporate Governance

According to New Penguin English Dictionary, the word “*corporate*” is an organization/company and who people work in it”. The origin of the word ‘*governance*’ derived from the old French word ‘*gouvernance*’, which means *control and the state of being governed*. The etymology of governance” comes from the Latin word *gubernare*” and *gubernator*’ which means steering a ship and the captain of the ship (Farrar, 2005).

Governance is multi-sided system of interactions among structures, traditions, responsibilities and practices characterized by values of accountability, transparency and participation (USAID, 2002). It can also be seen as the instrument of effectiveness of organizations. If the institutions are right and effective, the outcome should be good governance (Duncan, 2003). According to Eyong (2001), good governance is the effective management of an organization’s resources in a way that is open, transparent, accountable, equitable and responsive to people’s needs. Good governance emerges through honest application of the prevailing laws and respecting the spirit behind this law (Imran, 2009).

According to Collier (2005), Corporate Governance is the way companies are managed, directed and controlled. It is the building block of organizations and the stimulated of good employee behavior. Corporate governance is day-to-day activities of an organization in a way that guarantees that its owners or stockholders receive a fair return on their investment, and the expectations of other stakeholders are met (Magdi and Nedareh, 2002).

In this study corporate governance is treated in terms the following facet of corporate governance as prescribed by Carver & Carver, (2001).Namely; *leadership, ensuring delivery of purpose, Working effectively, Exercising control, Integrity, Open* and accountable. These elements of corporate governance explained as follows:

**Leadership:** Governing bodies of corporate are either called Management committees or Councils Boards, Executive committees, Trustees, (CAFS, 2001). Members have final responsibility for **directing** the affairs of the organization or the corporate, ensuring it is solvent, well run and delivering the outcomes for which it has been set up(Carver & Carver, 2001).

Governing bodies approved the vision and values and evaluates all proposed activities of corporate. They focus on the strategic decisions of the organization and not focusing in day-to-day working decisions. Leading bodies make clear division of roles and responsibilities between top management members and staff (Carver & Carver, 2001). A good organization’s leadership establishes internal control systems that will make sure a code of ethical conduct and a framework for internal regulations, including systems and by laws (Cohen, 2003).

**Ensuring delivery of purpose:** The leading body regularly reviews a range of information on different sources to make sure the organization is acting in line with its purpose. They review short, medium and long-term goals to check agreed strategies. They receive regular and timely information from the staff (Carver & Carver, 2001).The corporate have systems in place for governing body members being involved in monitoring and evaluation outcomes and assess impact. The governing body encourages and involves the key stakeholders, such as users and beneficiaries, in the organization’s planning and decision- making (ibid).

**Working effectively:** Members of the governing body understand their duties and responsibilities. They also receive the advice and information that they need to make good decisions (Carver & Carver, 2001). The top management has the diverse range of skills, experience and knowledge that it needs to run the organization effectively. Staffs receive the necessary induction, training and ongoing support that they need to fulfill their duties. A good corporate governing body has proper arrangements for the supervision, appraisal and pay of its employees. They regularly check and assess its own performance and that of individual and have a strategy for its own renewal (ibid). The governing body selects and appoints the senior post in the organization, and sets clear terms of reference to sub-

committees, advisory panels etc. Delegated authorities are subject to regular monitoring by the higher body. Top management ensures that it complies with its governing document, relevant laws and the requirements of any regulatory bodies (Carver & Carver, 2001).

**Exercising control:** A good corporate governing body ensures that they have proper systems of internal controls, performance reporting, policies and procedures and that these systems being reviewed regularly (Carver & Carver, 2001). It acts cautiously to protect the assets and property of the organization and ensures that they are used to deliver their goals. The governing body regularly reviews the risks to which they are subject and takes action to mitigate the risks identified. It maximizes its diversity to bring different perspectives to risk management (ibid). The governing body allows the proper exercise in delegated authority on undue interference and ensuring appropriate monitoring and feedback. The governing body takes appropriate professional advice before making important decisions (Carver & Carver, 2001).

**Integrity:** The governing body of corporate ensures the corporate values and ethos enshrined in its policies and practices (Carver & Carver, 2001). It fosters an environment that supports constructive challenge and welcomes different points of view. The top management acts openly and honestly. Interests are declared even the relevance or impact is unclear. When employees represent the organization, they have to ensure their personal view is never confused with those of the organization (Carver & Carver, 2001).

**Open and accountable:** Openness or Transparency is freely available and directly accessible of information to those will be affected by it. It is also means enough information is provided with an easily understandable forms and media (Leat, 1988). The governing body ensures all stakeholders – audiences, customers, funders etc a strategy for regular and effective communication. Open supports the process of learning from mistakes and successes; ensuring external views are taken into account (Carver & Carver, 2001). The governing body upholds and applies the principles of equality and diversity and ensures fairness and openness to all sections of the organization. The top management recognizes the organization's responsibilities for its wider communities, society and the environment (Carver & Carver, 2001). Legal frameworks that balance the right to disclose against the right of confidentiality required ensuring transparency and information openness (the Asian Development Bank (ADB), 2005). Predictability of the functioning of the legal framework ensures accountability of institutions.

An open system facilitates accountability, (Marshall, 2002). Accountability is the implicit or explicit expectations that anyone may be called upon to prove one's belief, feelings and performance to others, (Learner and Tetlock, 1999). Boice (2004) stated that for the public organization, accountability is being answerable to the public, which includes effectively carrying out activities to fulfill the organization's mission, respecting donor intent, upholding ethical standards and using good governance practices. According to Slim (2002), organizations have had to respond to both veracity of what they said and authority with which they spoke. According to him there are two kinds of accountability, namely: *performance accountability* and *voice accountability*. Performance accountability requires organizations be accountable for what they do, Slim, (2002) and for what they say (Brown & Moore, 2001). They are also accountability to themselves, where organizations are accountable for their mission and goals (Najam, 1996).

### 3.2 Employees' Silence in Organizations

According to Morrison & Milliken (2000), *organizational silence* is an intentional guard of employees' thoughts, ideas and information about their organization and tasks they are in charge of. Employees' silences are shaped by the belief that talking about the organization's problems will not create a difference. Their expectation of sharing ideas, information and thoughts will receive negative consequences (such as being viewed negatively, damaged relationships, retaliation or punishment). It is the situation where employees choose not to share his/her thoughts by not contributing to his/her own organization; and ends up silence spreads in the organization (Bowen and Blackmon, 2003, Pinder & Harlos, 2001). Many employees might know the truth about the problems of the organization; However, they do not have the courage telling it to their superiors (Morrison & Milliken,



2000), or being silence as the lack of voice and associated with loyalty, (Hirschman, 1970). Employees stay silent consciously or kept silent by the force of organizational or managerial factors (Blackman & Sadler-Smith, 2009; Morrison and Milliken, 2003; Pinder and Harlos, 2001).

### **Types of Silence in Organizations**

Pinder and Harlos, (2001) has discussed employees' silence in terms of, acquiescent silence and quiescent silence. Van Dyne et al, (2003) added pro-social silence as the third dimension to that of Pinder and Harlos's (2001). Thus, the three types of employees silence that is, *Acquiescent silence*, *Defensive silence* and *Pro-social silence* are treated as follows:

**Acquiescent silence** is employees' silence depending on neglect and obedience. Employees do not share the information or idea with anyone and stay passive. Because, they are not aware of alternatives or ignores alternatives and thinks that his/her ideas will not be given importance and will not create a difference (Pinder & Harlos, 2001). Acquiescent silence is refraining from presenting ideas, information or comments on the submission and consent at any situation. People with this kind silence, surrender to current situation. They do not have wish to try to talk, to take part or do not attempt to change the current situation, (Van Dyne et al, 2003).

**Defensive silence** is silence behaviors for self-protection and fear. It is the act of the employee to keep his/her ideas and information owned, to protect him/her (Van Dyne et al, 2003). Employees prefer not to tell what they know, afraid of being punished or being isolated. Defensive silence can also be related to the individual strategy that he sets for the future (Milliken & Morrison, 2003; Van Dyne et al, 2003). Defensive silence than acquiescent silence is more active mode and involved more aware in alternative options of decision-making. Refrains from offering ideas, information and opinions about the best strategy is right time (Pinder & Harlos, 2001).

**Pro-social silence** is hiding of ideas and information on behalf of the organization. Pro-social silence is proactive behaviors that performed to prevent the threats and might affect organizational loyalty, (Morrison, 2011). Employees do not share special information belonging to the organization by protecting privacy and do not make any negative comments about the organization (Van Dyne et al, 2003). This silence rather than defensive silence, Instead of negative consequences personal fear that resulting from the presentation of ideas. It achieved considerate the others and considering them, (Pinder & Harlos, 2001).

### **Causes of Employees' Silence**

Generally people have reluctance conveying negative information because of the discomfort associated with being the transmitter of bad news (Conlee & Tesser, 1973) This peoples' silent about their concerns may be due to the "mum effect" (Rosen & Tesser, 1970). Most employees do not dare to communicate information about potential problem or they distort the information that they convey to their superiors, in a way that minimizes negative information (Athanassiades, 1973; Read, 1962; Roberts and O'Reilly, 1974). Lack trust in their supervisor is other reason, why employees are most likely filter information that they convey up (Read, 1962; Roberts and O'Reilly, 1974). Powerful norms and defensive routines within organizations are also prevent employees from saying what they know (Argyris, Schon, 1978). Organizations are often intolerant of criticism and dissent. Employees may withhold information not to "rocking the boat" or create conflict with their bosses (Ewing, 1977; Redding, 1985; and Sprague & Ruud, 1988).

Employees' willingness to voice work-related concerns and suggestions to their bosses depended on how approachable and responsive they perceived their supervisors to be (Hirshman's 1970; Saunders, Shepard, Knight, and Roth, 1992).

Perceived Organizational support, norms and the quality of one's relationship to senior management may affect employees talking behaviors (Ashford et al., 1998; Dutton et al., 1997). Other organizational factors pointed as the causes of employee silence were organizational norms (Bowen & Blackmon, 2003); non-existence of a participative organization culture (Huang et al, 2005); Hierarchical structuring and lack of feedback (Morrison & Milliken, 2000).

Despite these numerous findings of researchers why employees often feel uncomfortable to voice issues or problems and even their concerns to bosses, there is much we do not know about why people often remain silent. Therefore, the objective of this study was to assess when and how employees

decided to be silent, particularly, the association and the effect of corporate governance those employees consider when making not to speak up.

## 4. Data Analysis and Discussion

### 4.1 Extent of perception of Corporate Governance

The demographic variables of the respondents showed that 59% of the them were male; 53.7% academic staff; More than 80% of the respondents had first degree and above; and 66.5 % of them were serving in the University for about 6 and more years. Table 1 show the result of perception of corporate governance, 115 (50.7%) of the respondents observed corporate governance of the university is not good. Regarding, the dimensions of Corporate Governance, five of the dimensions are negatively perceived by (50.2 to 65.5%) of the respondents. But, 118(52%) of participants perceived "leadership" is exercised in good manners. This means both academics and supporting staffs perceived that most of the elements of good corporate governance are not exercised in the University.

**Table 1: Extent of perception of Corporate governance and level of employees silence (N=227)**

Variables		Disagree	Neutral	Agree
Leadership	F	38	71	118
	Percent	16.7	31.3	52
Ensuring delivery of purpose	F	114	69	44
	Percent	50.2	30.4	19.4
Working effectively	F	135	53	39
	Percent	59.5	23.4	17.1
Exercising control	F	149	46	32
	Percent	65.6	20.3	14.1
Integrity	F	137	46	44
	Percent	60.4	20.3	19.3
Open and accountable	F	119	54	54
	Percent	52.4	24	23.8
Corporate governance	F	115	57	55
	Percent	50.7	25.1	24.2

### 4.2 Level of Organizational Silence

Table 2 shows that 87(41.1%) of the respondents did not speak up or raise issues or information in the University, other 66(29.1%) of them are indifferent or do not dear to speak up about it. This data also show that 154 ( 67.8%) of respondents was being silent for the sake of protecting themselves( Defensive silence), while other 91(41.1%) is being silence due to they were not aware of alternatives or ignored alternatives and thinks that his/her ideas will not be given importance and will not create a difference(Acquiescent silence ). However, 124 (54.6%) of them is being silent due to the protection for ideas, information and thoughts on behalf of the organization. It means they are loyal to the university and show proactive behaviors to prevent the threats coming from outer environment that might affect organizational loyalty (Pro-social silence). The table also revealed that while 45(43.2%) of the administrative staff confirmed as they do not voice their concerns or information in the university, 66(54.1%) of academic staffs admitted that they speak up their concerns.

**Table 2: level of organizational silence of employees (N=227)**

Variables		Disagree	Neutral	Agree	
Acquiescent silence	F	64	72	91	
	Percent	28.2	31.7	40.1	
Defensive silence	F	34	39	154	
	Percent	15	17.2	67.8	
Pro-social silence	F	124	68	35	
	Percent	54.6	30	15.4	
Organizational silence	F	74	66	87	
	Percent	32.6	29.1	41.1	
Academic Staff		Administrative staff			
	F	PERCENT		F	PERCENT
Disagree	66	54.1	Disagree	28	27
Neutral	32	26.2	Neutral	31	29.8
Agree	40	32.8	Agree	45	43.2

### 4.3 Association of Corporate Governance with Organizational Silence

As table 3 indicated, corporate governance is negatively associated with employees' organizational silence and its three dimensions. This implies that exercising of good corporate governance prevails upon the organization, employees' silence behaviors will decrease. However, the results of Regression Analysis in Table 3, also revealed the insignificant influence of corporate governance on silence behavior of employees, that is ( $R^2 = .017$ ) and (adjusted  $R^2 = .013$  at sig.  $.048$ ). This means, only an estimated 1.3 percent variances in *employees' organizational silence* index can be accounted for corporate governance " dimensions predictor.

**Table 3: correlation of corporate governance with organizational silence (N=227)**

	1	2	3	4
Acquiescent silence	1			
Defensive silence	.505**	1		
Pro-social silence	.048	.607**	1	
organizational silence	.589**	.972**	.708**	1
<b>corporate Governance</b>	<b>-.102</b>	<b>-.120</b>	<b>-.040</b>	<b>-.117</b>

### Result of regression analysis

Model	R	R Square	Adjusted R Square	Sig.
1	.132 <sup>a</sup>	.017	.013	.048

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

### 5. Conclusions

In many of the organizations there are organizational problems. Issues like poor corporate governance and employees being silent and not voice their ideas or concerns in the organization are among them. This study tried to discuss these crucial organizations constraints. Corporate governance tried to assess in terms of six dimensions and employees organizational silence in terms of three elements. The finding of the study shows that exercising of good corporate governance is low. Most employees mainly the administrative staffs do not try to speak up their ideas, concerns or information in the university. The study shows the variables have a negative relationship. But do not have significant effect.

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